

## **Combined Annual Wage Reporting (CAWR) – Privacy Impact Assessment (PIA)**

**PIA Approval Date: December 10, 2009**

### **System Overview**

The purpose of the CAWR Program is to verify that employers paid and reported the correct amount of tax, Federal Income Tax Withholding (W/H), Advanced Earned Income Credit (AEIC), and filed all necessary Forms W-2 with the SSA. In 1976, a law was passed to simplify employer reporting of wages. The Form W-2, Wage and Tax Statement, was redesigned to include Social Security information, and Form W-3, Transmittal of Income and Tax Statements, was amended to include cumulative totals of each Money Field appearing on the associated Forms W-2. This resulted in the creation of the Combined Annual Wage Reporting System (CAWR). The CAWR Program is worked two years behind the current year to allow employers time to file Forms W-2 and/or Forms W-2c with the Social Security Administration (SSA) and Employment Tax Returns with the IRS.

### **Systems of Records Notice (SORN):**

- Treasury/IRS 22.061 Individual Return Master File (IRMF)
- Treasury/IRS 24.046 CADE Business Master File (BMF)
- Treasury/IRS 24.047 Audit Underreporter Case File
- Treasury/IRS 34.037 IRS Audit Trail and Security Records System
- Treasury/IRS 36.003 General Personnel and Payroll Records

### **Data in the System**

#### **1. Describe the information (data elements and fields) available in the system in the following categories:**

A. Taxpayer – For purposes of this PIA, the ‘Taxpayer’ can be either an individual or a business entity. The following employer information is maintained:

- Employer Identification Number (EIN)
- Name
- Address
- Payer Agent Listing (PAL)
- Social Security Number (SSN) on certain Schedule H Filers
- Address of Electronic Filers
- Wage
- Tax Amounts

B. Employee:

- Name
- Work schedule
- Assignment numbers
- Work address
- Employee’s profile

C. Audit Trail Information:

- UserID
- Timestamp
- Source of Event
- Outcome of Event

**2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.**

A. IRS – **Business Master File (BMF)** is used to obtain employer information such as:

- EIN
- Name
- Address
- SSN on certain Schedule H.

**Automated Underreporter (AUR)** is used to obtain the PAL that provides a listing of duplicate W-2s, or information that is reported multiple times.

**Customer Account Data Engine (CADE)** is used to obtain Schedule H information.

**Information Returns Processing (IRP)** is used to obtain W-2G and 1099R information.

**Information Returns Master File (IRMF)** is a sub-program run of IRP used to obtain W-2 information, including aggregate amounts of names, EIN, and wage/tax amounts for the 1099Rs that are filed.

**Payer Master File (PMF)** is used to obtain W-2G and 1099R information.

B. Taxpayer: None.

C. Employee: All employee information is created by the coordinator when the account is initiated.

D. Other Federal Agencies: Social Security Administration (SSA) sends employer aggregate amounts of EIN, name, and address of electronic filers.

**3. Is each data item required for the business purpose of the system? Explain.**

Each data item is required to reconcile the amount of Income Tax reported and paid, Federal Income Tax withheld, advance Earned Income Credit (EIC), Medicare wages, and Social Security wages reported to the IRS, against that reported to the Social Security Administration.

**4. How will each data item be verified for accuracy, timeliness, and completeness?**

Manual reviews are performed on the weekly master file updates to the CAWR application to verify each item for accuracy, timeliness, and completeness. In addition to the manual reviews, automated checks are performed to verify that numeric fields are populated by numeric entries and codes received from SSA are valid. Error reports are generated whenever one of these checks fails. If the data is invalid from SSA, it is reported back to SSA for re-submission. In some instances, CAWR users may reach out to the individual employer in question to determine if the error is valid or if there is just some miscommunication.

**5. Is there another source for the data? Explain how that source is or is not used.**

No, there is no other source for the data.

**6. Generally, how will data be retrieved by the user?**

Data is generally retrieved by querying the employer's EIN and the associated tax year.

**7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?**

Yes, data can be retrieved by querying the employer's EIN. Once the data is obtained, a separate menu displays the data to the requesting user.

**Access to the Data**

**8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?**

- **System Administrators** – Have access to production, including all relevant files for purposes of troubleshooting problems.
- **Database Administrators** – Have access to production, including the database files for performing database administration activities.
- **Developer** – Have access to development environment with no update access to production data.
- **National Office Program Analysts** – Have access to production environment to perform similar functions as the tax examiners, however with additional permissions to certain reports.
- **Coordinators** – Have access to production environment to perform similar functions as the tax examiners, however with additional permissions to certain reports.
- **Clerks** – Have access to production environment to input dates, but do not have the ability to change the data already within the application.
- **Tax Examiners** – Have access to production environment to perform similar functions as the clerk, however with additional permissions to edit certain fields in the application.

**9. How is access to the data by a user determined and by whom?**

Access to the data is determined by the manager based on a user's position and need-to-know. Each user must submit an approved, completed On-Line Form 5081, Information System User Registration/Change Request to request access. A user's access to the data terminates when it is no longer required. Criteria, procedures, controls, and responsibilities regarding access are documented in the Information Systems Security Rules on Form 5081.

**10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared.**

Yes.

- **BMF** is used to obtain employer information, such as EIN, Name, Address, Wage, Tax Amounts, and SSN on certain Schedule H. This information is obtained via batch processes from the IBM mainframe to the CAWR UNIX back-end database.

- **AUR** is used to obtain the PAL that provides a listing of duplicate W-2s, or information that is reported multiple times. This information is obtained via batch processes from AUR to the CAWR UNIX back-end database.
- **CADE** is used to obtain Schedule H information that is not included within BMF. This information is obtained via batch processes from CADE to the CAWR UNIX back-end database.
- **IRP** is used to obtain W-2G, and 1099R information. IRMF, a sub-program run of IRP is used to obtain W-2 information, including aggregate amounts of names, EIN, and wage/tax amounts for the 1099Rs that are filed. This information is obtained via batch processes from IRP to the CAWR UNIX back-end database.
- **PMF** is used to obtain W-2G, and 1099R information. This information is obtained via batch processes from PMF to the CAWR UNIX back-end database.

**11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?**

<b>Application Name</b>	<b>ATO Date</b>	<b>PIA Date</b>
• <b>BMF</b>	6/14/2007	4/10/2007
• <b>AUR</b>	5/6/2009	2/27/2009
• <b>CADE</b>	4/2/2009	4/30/2008
• <b>IRP</b>	6/21/2007	10/9/2009
• <b>PMF</b>	6/14/2007	10/23/2009

**12. Will other agencies provide, receive, or share data in any form with this system?**

Yes, SSA sends employer aggregate amounts of EIN, name, wage, tax amount, and address of electronic filers through the CAWR Mainframe via Electronic File Transfer Utility (EFTU).

**Administrative Controls of Data**

**13. What are the procedures for eliminating the data at the end of the retention period?**

In 1998, the National Archives and Records Administration (NARA) appraised CAWR records as temporary records under Job No. N1-58-97-13, Item 11 (IRS Records Control Schedule 1.15.35, Item 11), eligible for destruction when 1 year old or when no longer needed for administrative, legal, audit or other operational purposes, whichever is sooner. More recently, however, NARA approved (25 August 2009) updated disposition instructions for CAWR. CAWR recordkeeping data is now maintained for 10 years prior to destruction in accordance with Job No. N1-58-09-12 (IRS Records Control Schedule 1.15.19). The SB/SE Business Owners will manage/dispose of all electronic recordkeeping data (and associated records - inputs, outputs and system documentation) in keeping with these approved authorities.

**14. Will this system use technology in a new way?**

No, CAWR will not use technology in a new way.

**15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.**

Yes. The system will be used to identify employers who have discrepancies between the amounts reported on information returns and tax returns filed. The business purpose of the system is to compare the annual wages and taxes reported by businesses on Forms W-2 and W-3 against the reported amounts on tax returns filed with the IRS.

**16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.**

CAWR does not provide the capability to identify, locate, and monitor groups of people.

**17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?**

CAWR does not have the ability to allow IRS to treat taxpayers, employees, or others differently.

**18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?**

Employers are contacted to explain discrepancies identified in the program and information provided by the employers is included. Employers can respond to any negative determination prior to final action.

**19. If the system is web-based, does it use persistent cookies or other tracking devices to identify web visitors?**

Not Applicable. CAWR is not a web-based application.

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